



**Report of:** Executive Member for Health and Wellbeing

Meeting of:	Date	Agenda item	Ward(s)
Executive	12 February 2015		Tollington, Barnsbury

Delete as appropriate	Exempt	Non-exempt
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## **SUBJECT: Approval of the Procurement Strategy for Contract Mental Health Supported Accommodation Service**

### **1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Mental Health Supported Accommodation Service in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The service contract to be procured consists of three lots: Lot 1 consisting of 6 units; Lot 2 consisting of 7 units; and Lot 3 consisting of 12 units.
- 1.3 The current services end 31 March 2016. The new service contract(s) would start on 1 April 2016.

### **2. Recommendations**

- 2.1 To approve the procurement strategy for Mental Health Supported Accommodation Service as outlined at paragraph 3.4.
- 2.2 To note the Executive will be asked to approve the award of the contract at the conclusion of the procurement process.

### **3. Background**

#### **Nature of the service**

- 3.1 The Service to be re-procured is mental health supported accommodation for Islington residents who require this type of support to live in the community. The target group for the Service will be men and women experiencing long-term, severe mental illness. Residents in the Service will be over the age of 18 who are planning to return to independent living in the community following hospital or residential rehabilitation care.

- 3.2 The Service to be procured is a 3-year block contract with the option of three 12-month extensions. The Provider will need to have a very good understanding of mental health and how to meet a range of care needs using a recovery model.
- 3.3 The Service will need to be staffed 24 hours per day and provide the type of onsite support to help residents explore and develop their community living skills with an emphasis on rehabilitation and recovery, encouraging residents to live as independently as possible, and eventually acquire their own tenancy. This procurement is a re-tender of existing services because the current contracts will expire 31 March 2016.
- 3.4 The residents in the existing mental health supported accommodation are eligible for community care services from the Council based on their level of need. They would be unable to live independently and maintain their own tenancy without a period of intermediate support, or further rehabilitation, following mental health hospitalisation.
- 3.5 Islington Council has a duty to provide a social care service to those in the existing services. The current three lots of mental health supported accommodation services are to be re-procured through one tender process. The three lots to be procured are:

**1. Lot 1 - (6 units)**

The current service based in Tollington Ward contains 6 units. Islington Council owns the building and it is leased to the current provider (Family Mosaic). The lease expires when the current contract expires. The current contract, valued at £152,643.24 per year, will end 31 March 2016.

**2. Lot 2 - (7 units)**

The current service based in Barnsbury Ward contains 7 units. The building is owned by the current provider (Family Mosaic). This service was jointly procured with the Lot 1 service. The current contract, valued at £178,083.76 per year, will end 31 March 2016.

The total annual value of the current contract for both the Lot 1 and Lot 2 services is £330,727 per year.

**3. Lot 3 - (12 units)**

The current service based in Tollington Ward contains 12 units. The building is owned by the current provider (St Martin of Tours). The current contract, valued at £359,000 per year, will end 31 March 2016.

- 3.6 Commissioners have reviewed the current funding resources in light of expected savings targets. Finance and Strategic Procurement have been consulted. Commissioners have also presented a pre-tender considerations report to the Procurement Board on 27 November 2014 and this report was accepted by the Board.

### **Estimated Value**

- 3.7 Funding will be sourced through the existing Mental Health Pooled budget. The proposed annual value to Islington Council for this tender in Islington is as follows:

- **Lot 1:** £152,643 pa  
Lot 1 total value of the proposed 3-year contract is £457,929 without extensions and £915,858 if all extensions are exercised.
- **Lot 2:** £178,083 pa  
Lot 2 total value of the proposed 3-year contract is £534,249 without extensions and £1,068,498 if all extensions are exercised.
- **Lot 3:** £359,000 pa

Lot 3 total value of the proposed 3-year contract is £1,077,000 without extensions and £2,154,000 if all extensions are exercised.

- 3.8 The total value of the entire three lots combined, should one provider secure all three lots, would be: 3-year contract at £2,069,178 without extensions; and £4,138,356 if all extensions are exercised. These contract values remained unchanged from the current contract values. There has been no uplift in the value of the current contracts during the last 3 year (following a significant reduction in contract values in 2011/12); and no uplift is planned for the new contracts.
- 3.9 The contract to be awarded will contain a termination clause to allow it to be ended early should that be required. The contract will also contain relevant safeguarding and information governance compliance clauses.
- 3.10 The spend for the last two fiscal years:
- **2012/13**  
Lot 1 (Tollington Ward) and Lot 2 (Barnsbury Ward) sites: £330,727pa  
Lot 3 (Tollington Ward) site: £359,000pa
  - **2013/14**  
Lot 1 (Tollington Ward) and Lot 2 (Barnsbury Ward) sites: £330,727pa  
Lot 3 (Tollington Ward) site: £359,000pa
- 3.11 As part of a savings plan for the fiscal year 2011/12, the annual value of the current Lot 1 and Lot 2 contract was reduced by £100,000pa, the service was de-registered with the Care Quality Commission, and staffing levels were reduced. The Lot 3 contract was also reduced in value. Negotiations were held to reduce the contract value by £30,000pa over two sites, one of which is not in this tender. The current weekly unit rate in the existing contracts are approximately:
- Lot 1 and Lot 2 sites: £487.92
  - Lot 3 site: £573.77
- 3.12 There is no intention to increase the value of the contract. Not only do local government budgetary pressures exist but providers are facing increasing cost pressures and this procurement will need to manage these in an inflationary context. Further reducing contract values are likely to have a negative impact on the response from the market place to provide this service. Additionally, it may impact on the ability to deliver a quality service.
- 3.13 Given a range of factors involved in pricing mental health supportive accommodation, such as type of client, care needs, facility and level of services provided, it is difficult to compare the cost of this type of service; nonetheless, in general comparison to other local mental health supportive housing schemes we intend to keep the current value of the contract as the upper limit or ceiling and seek a further reduction, where possible.
- 3.14 Over £100,000pa cost savings were achieved during 2011/12. Further significant reductions may be counterproductive. The procurement will seek to hold the contract value at the current price but seek a reduction if at all possible during the procurement process. The key cost driver is staffing costs, inflation and the value of property in Islington.
- 3.15 London Living Wage has been increased again from £8.80 to £9.15 and this procurement does not take this increase into account. Furthermore, the inflation rate has been running as follows:
- **2012:** 3.01%
  - **2013:** 2.78%
  - **2014 (to Sep):** 1.63%

Since reducing the contract value in fiscal year 2011/12, there has been no uplift in contract values.

## Timetable

3.16 Key Dates to be reached:

<b>12 Feb 2015:</b>	Exec Board – Strategy Report
<b>Mar – July 2015:</b>	Advert, PQQ, Shortlisting, Publish Tender Pack
<b>Aug – Sept 2015:</b>	Evaluate Tenders
<b>Dec 2015:</b>	Joint Board – Award Report
<b>Jan 2016:</b>	Exec Board – Award Report
<b>1 Apr 2016:</b>	Commencement of new services

3.17 Current contracts expire on 31 March 2016 (Lot 1 and Lot 2) and 31 May 2016 (Lot 3). The intention is to exercise options to extend so that these services will end on the same date of 31 March 2016 and start on the same date of 1 April 2016. There are no statutory deadlines to be met. Commissioners, senior managers and officers within the commissioning and procurement teams have been consulted about this procurement.

## Options appraisal

3.18 Given the value of the contract on offer, this procurement must be advertised. The Service will be a Part B service, so full Official Journal of European Union regulations will not apply. The procurement route available is to advertise a call for competition and move to a competitive process. The procurement strategy is to re-tender all three services using one tender process, but providers may submit bids for any or all of the lots they are interested in providing. The current contracts were previously re-tendered in 2008/09 as follows:

### **Lot 1 (Tollington Ward) and Lot 2 (Barnsbury Ward) together**

- Re-tendered in 2008/09
- Awarded Family Mosaic
- Start date 1 April 2009
- 5-year contract with two 12-month extensions

### **Lot 3 Road (Tollington Ward)**

- Re-tendered in 2008/09
- Awarded St Martin of Tours
- Start date 1 June 2009
- 5-year contract with two 12-month extensions

3.19 For this current re-procurement, the services will be re-tendered through one process, but providers can choose which services to bid for. It will be advertised in 3 separate lots:

**Lot 1:** Mental Health Supported Accommodation – 7 Units

**Lot 2:** Mental Health Supported Accommodation – 6 Units

**Lot 3:** Mental Health Supported Accommodation – 12 Units

3.20 Providers can bid for all or any of these lots, bearing in mind the current ownership of these buildings and that some housing providers will not have other housing providers delivering services in their own buildings. It will be necessary for any bidder to ensure they have a suitable building(s) ready for use from the start of the contract.

3.21 The value of the new contracts will be the same as the existing contracts. The number of units being re-

tendered will also remain the same. Our preferred procurement route is to advertise a call for competition and move to a competitive process.

- 3.22 It is not feasible to jointly commission this particular service with another local authority at this time. Collaboration would likely increase re-procurement risks and will not deliver any savings or greater efficiencies. Demand within Islington for this type of service results in no spare capacity to share with other local authorities. It is not our intention to increase capacity with this service given the fiscal situation. The main benefit of the proposed approach is possible greater value for money depending on the response from the market.

### **Key Considerations**

- 3.23 In addition to the local economic benefits of the Service being provided in Islington, social benefits clauses will place an emphasis on the Service being part of the fabric of the local community, supporting and encouraging residents to sustain local links with family, friends and formal/informal support networks which can greatly aid a sense of wellbeing, good mental health and independent living skills.
- 3.24 The new service specification will be an opportunity to achieve value for money but also set desired outcomes related to the Islington Adult Joint Commissioning Strategy, and other national strategies, covering areas such as:
- Enhancing the quality of life for people with care and support needs
  - Ensuring that people have a positive experience of care and support
  - Safeguarding adults who circumstances make them vulnerable and protecting them from harm.
- 3.25 Supporting independence and helping residents to re-acquire and retain their independent living skills will be key themes, including supporting individuals to achieve their goals. There will be an emphasis on mental health recovery and rehabilitation and acquiring their own tenancy.
- 3.26 London Living Wage will apply to this contract. The Service Specification will include provisions to ensure the provider offers continuous improvement against delivery targets and works with commissioners and service users to “co-produce” a service where innovations can be quickly implemented. An Environment Impact Assessment and Resident Impact Assessment has been carried out.
- 3.27 TUPE will apply to this contract. The appropriate TUPE information will be included in the tender documents including salary, pension, and other staff benefits. The current FTE staffing arrangement and TUPE information is:

#### **Lot 1 (Tollington Ward)**

- Care Manager x 0.3 FTE\*
- Care Workers x 4 FTE

#### **Lot 2 (Barnsbury Ward)**

- Care Manager x 0.3 FTE\*
- Care Workers x 4 FTE

\*shared across both sites and one other not in this tender.

#### **Lot 3 (Tollington Ward)**

- Care Manager x 1 FTE
- Care Workers x 4 FTE

## Evaluation

- 3.28 This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. The first stage is Selection Criteria through a Pre-Qualification Questionnaire (PQQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The PQQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.
- 3.29 A limited or 'restricted' number of these organisations meeting the PQQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage is the ITT is now forwards-looking using Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the evaluation criteria in order to determine the most economically advantageous offer.
- 3.30 Strict criteria have been set because it is necessary for this Service to effectively meet a range of enduring mental health needs in a supportive and safe environment that promotes wellbeing and independence and move on into independent living (own tenancy). The main evaluation criteria for the successful provider includes:
- An established building located in Islington, or able to meet this requirement at the start of the service
  - Able to provide the required service from 1 April 2016
  - Able to provide the required capacity (number of units)
  - Provide 24 x 7 care and support using staff who are both knowledgeable and skilled in working with individuals with mental health needs
  - Appropriate staffing levels 24 hours per day (sleep in at night)
  - Have experience providing mental health supported accommodation to adults with moderate to severe, enduring mental health which may include some challenging behaviours; staff may also need to be able to deal with dual diagnosis issues, such alcohol and/or drug misuse, poor coping skills and fluctuations in mental wellbeing
  - Able to provide care with an emphasis on mental health recovery and rehabilitation and promotes the re-acquisition and retention of independent living skills and activities of daily living
  - Have formal links to the local secondary mental health service (Camden & Islington NHS Foundation Trust), particularly the Camden & Islington NHS Foundation Trust Accommodation Team; and maintain excellent working relationships with local GP practices.
- 3.31 The contract will be awarded to the Most Economically Advantageous Tender (MEAT) on the basis of quality 70% and cost 30%.

<b>Tender Award Criteria</b>	<b>Total</b>
<b>Cost</b>	<b>30%</b>
<b>Quality – made up of</b>	<b>70%</b>
Proposed model of care	30%
Proposed approach to quality management of performance and outcomes	20%
Proposed approach to resident engagement and activities	10%
Proposed approach to safeguarding and risk management	10%
<b>Total</b>	<b>100%</b>

- 3.32 The successful bidder would need to be able to pay at least the London Living Wage; meet all requirements as laid out in the proposed service specifications around safeguarding and information governance; and have the ability to transition any existing residents in the current service to the new service, particularly where this may involve a change of building.
- 3.33 London Living Wage will apply to this contract. TUPE will apply to this procurement. The service will be delivered in Islington thus benefitting the local community and where appropriate offer local apprenticeships, and ensure the service is embedded in the local community.

### **Business Risks**

- 3.34 The main business risks include the following:
- The market for this type of residential accommodation is limited in the borough
  - Providers may submit bids higher than current contract values (current contracts were reduced in value in 2011/12 and services de-registered)
  - Current providers may not submit bids
  - If only one provider submits a bid, it may seek to negotiate costs or conditions that are unacceptable
  - Bids are not received for all three lots
  - The current providers may not make their buildings available to the market (for use for mental health supported accommodation), and any new providers will have to provide their own buildings
  - If applicable, there could be a challenge to direct award of the contract.
- 3.35 The main opportunity is the encouragement of new providers to enter the market with new buildings not currently available for mental health supported accommodation coupled with investment in such housing stock.
- 3.36 The existing Service provides support and accommodation to 25 vulnerable adults with severe and enduring mental health care needs. Most residents have lived in these supported housing schemes for several years despite the current specifications setting a move on target of 2 years. This demonstrates the challenge in supporting this group of users to be able to live on their own in their own tenancies. Service users will be consulted as part of the tender process and before the new service specification is finalised. Of the three buildings in use in the current contracts, two are owned by the current providers (Lot 2 by Family Mosaic and Lot 3 by St Martin of Tours).
- 3.37 Given the lack of Council control over these two buildings in the tender, there is always a risk that if the current providers are not awarded the tender, they may not make their buildings available to another provider for use. Were this situation to occur, the new provider (s) would need to have suitable premises available for use from 1 April 2016 and existing residents would need to be transferred to those new buildings. The third building (Lot 1) is owned by Islington Council. This poses less of a risk since the Council would lease the building to any new provider for the duration of the new service contract.
- 3.38 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by the Council's Procurement Board
- 3.39 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Mental health supported accommodation service	<p>This is mental health supported accommodation for men and women experiencing long-term, severe mental ill health who are planning to return to independent living in the community following hospital or residential rehabilitation care.</p> <p>See paragraphs 3.1-3.6</p>
2 £4,138,356	<p>The estimated value per year is £689,726.</p> <p>The agreement is proposed to run for a period of 3 years with an optional extension of three 12-month periods.</p> <p>See paragraphs 3.7-3.15</p>
3 Timetable	<p>12 Feb 2015: Exec Board – Strategy Report  Mar – July 2015: Advert, PQQ, Shortlisting, Publish Tender Pack  Aug – Sept 2015: Evaluate Tenders  Dec 2015: Joint Board – Award Report  Jan 2016: Exec Board – Award Report  1 Apr 2016: Commencement of new services</p> <p>See paragraphs 3.16-3.17.</p>
4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Advertise a call for competition and move to a competitive process.</p> <p>See paragraphs 3.18-3.22.</p>
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>London Living Wage and TUPE will apply to the contract. The service will be provided in Islington and offer apprenticeships where appropriate, given the nature of the service.</p> <p>See paragraphs 3.23-3.27.</p>
6 Evaluation criteria	<p>70% Quality  30% Cost</p> <p>See paragraph 3.28-3.33</p>
7 Any business risks associated with entering the contract	<p>Current providers own two of the buildings in the re-tender. The new contract(s) will contain an early termination clauses should it be necessary to terminate the contract(s) early.</p> <p>See paragraph 3.34-3.38</p>
8 Any other relevant financial, legal or other considerations.	<p>See 4 below.</p>

#### 4. Implications



#### **4.1 Financial implications**

The current budget earmarked by Islington for the procurement of Mental Health Supported Accommodation Services is £690,000 p.a representing a total contract value £4.14m over the 6 year life of the contract (3 years with the possibility of three 1-year extensions).

This procurement is being done on a cost neutral basis due to the level of savings achieved from these contracts previously and as such any award should not create a budget pressure for the Council.

Providers will be required to ensure that all staff working on this contract are paid at least the London Living Wage.

To avoid future financial pressure for the Council, this contract would need to have a termination clause which allows the ending of this contract if it becomes unaffordable.

Any TUPE cost implications that may arise from this tender will have to be met by existing resources outlined above.

#### **4.2 Legal Implications**

The council has power to provide mental health supported accommodation services under the Mental Health Act 1983, section 117 and the National Assistance Act 1948, S21(1). The Council has power to enter into contracts with providers of mental health supported accommodation services under section 1 of the Local Government (Contracts) Act 1997.

The threshold for application of the Public Contracts Regulations 2006 (the Regulations) is currently £172,514. The value of the proposed contract is above this threshold. These services fall within Part B of the Regulations. Although Part B services do not need to strictly comply with the provisions of the Regulations, there is a requirement under EU rules for part B services to comply with the principles of equal treatment, non-discrimination and fair competition. The council's Procurement Rules require contracts over the value of £100,000 to be subject to competitive tender.

In compliance with the principles underpinning the Regulations and the council's Procurement Rules the proposal outlined in the report is to advertise a call for competition and procure the service using a competitive tender process.

#### **4.3 Environmental Implications**

The main environmental impacts of this procurement will be associated with the management of the buildings, including energy used for heating, hot water and appliances, water use and waste generation. If possible, the procurement process should include requirements for the providers to minimise energy and water usage, as well as maximising recycling and ensuring compliance with waste legislation. Where the sites have garden areas, consideration should also be given to improving biodiversity habitats.

#### **4.4 Resident Impact Assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment (RIA) was completed on 2 December 2014.

The Resident Impact Assessment identified that there would be no differential impacts. This decision

was made because the service being re-tendered would have no disproportionate impact on any of the equality groups accessing the mental health supported accommodation service or working in the service.

## 5. Conclusion and reasons for recommendations

- 5.1 The existing mental health supported accommodation services located at three sites in Islington will end 31 March 2016. There is still a requirement to provide this type of service in Islington.
- 5.2 The proposed strategy is to re-tender the services using a competitive process given the value of the contract(s) on offer. The new contract(s) will commence 1 April 2016 for the same value as the existing contracts for the same number of units.

### Final report clearance:

*Janet Burgess*

**Signed by:** Executive Member for Health and Wellbeing

**Date:** 15 January 2015

**Received by:** Head of Democratic Services

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